



<u>Committee and Date</u>
Audit Committee

<u>Item</u>
<u>Public</u>

## Third line assurance: External Audit: A. Informing the Audit Risk Assessment

**Responsible Officer** James Walton  
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### 1. Summary

- 1.1 *The purpose of this report is to contribute towards the effective two-way communication between Shropshire Council's external auditors and Shropshire Council's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Committee under auditing standards.*

### 2. Executive Summary

#### **Background**

*Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit Committee and also specify matters that should be communicated.*

*This two-way communication assists both the auditor and the Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.*

#### 2.2 **Communication**

*As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Council's oversight of the following areas:*

- *General Enquiries of Management*
- *Fraud,*
- *Laws and Regulations,*
- *Related Parties, and*
- *Accounting Estimates.*

2.3 *This report includes a series of questions on each of these areas and the response from Shropshire Council's management. The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make to the External Auditor.*

### **3. Recommendations**

It is recommended that Members:

- A. Receive and comment on this report and the attached External Audit: Informing the Audit Risk Assessment

## **REPORT**

### **4. Risk Assessment and Opportunities Appraisal**

*(NB This will include the following: Impact on Children and Vulnerable Adults, Risk Management, Human Rights, Equalities, Community and other Consultation)*

- B. Details of the risk assessment undertaken and significant risks identified are contained within the attached Informing the Audit Risk Assessment

### **5. Financial Implications**

- 5.1. External Audit fees of £167,061 are detailed within the report alongside associated non-audit fees of £21,100. The Audit Fees are based upon scale fees published by PSAA.
- 5.2. Funding for the fees listed is provided for within the Council's budget.

### **6. Climate Change Appraisal**

- 6.1. There are no direct implications for Climate Change contained within this cover report or attached documents.

**List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)**

None

**Cabinet Member (Portfolio Holder)**

Brian Williams, Chair of Audit Committee

**Local Member**

All

**Appendices**

External Audit: Informing the Audit Risk Assessment